



Reply to  
Attn. of: SP 00-3

NOV 02 1999

Subject: Beverage and Snack Agreements

To:

STATE AGENCY DIRECTORS -  
(Child Nutrition Programs)

Colorado ED, Colorado HS, Colorado  
DPHE, Iowa, Kansas, Missouri ED,  
Missouri DH, Montana OPI, Montana  
DPHHS, Nebraska ED, Nebraska SS,  
North Dakota, South Dakota, Utah,  
and Wyoming

Several questions have been raised by State agencies as well as vendors regarding the exclusive beverage and snack contracts. The following is a summary of existing regulatory requirements as they pertain to these contracts.

- In some cases the exclusive contracts do not involve nonprofit school food service account funds, in which case there are no Federal FNS procurement issues involved. However, if any nonprofit school food service products are purchased via the exclusive contract, then all Federal procurement requirements must be met. Reference 7 CFR 210.21; 7 CFR 3015, Subpart S; and OMB Circulars A-102 (for public) and A-110 (for private nonprofit) school food authorities (SFAs). If small purchase procedures are used for a procurement of \$10,000 or less, price or rate quotations must be obtained from an adequate number of qualified sources.
- Additionally, if nonprofit school food service products are included in the contract, any rebates, commissions, scholarship fund contributions, or any other payments back to SFA or SFA related organizations, must be reimbursed to the nonprofit school food service account on a prorated basis. Reference 7 CFR 210.14 and OMB Circular A-87, Attachment A and OMB Circulars A-102 and A-110.

- Finally, since many of these contracts are multi-year, it should be noted that there is no Federal prohibition on multi-year contracts other than for food service management companies. It is suggested, however, that school procurement officials consider the impact of multi-year contracts, as opposed to one year contracts, on beverage and snacks. Long term contracts would appear to be more appropriate for nonperishable products and services, such as warehousing and equipment rental, however, as noted above there is no Federal prohibition on these longer term contracts.

Please contact this office if there are any questions.



ANN C. DEGROAT

Regional Director

Child Nutrition Programs